

**ST. MARY PARISH WATER
AND SEWER COMMISSION NO. 4**

Charenton, Louisiana

Financial Report

Year Ended September 30, 2013

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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
St. Mary Parish Water and Sewer Commission No. 4
Charenton, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of St. Mary Parish Water and Sewer Commission No. 4 (hereinafter "Commission"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Commission as of September 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 16 to the financial statements, the Commission implemented the provisions of the Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

The Commission has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The comparative financial statements and other supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The comparative financial statements on pages 29 through 39 and the other supplementary schedules on pages 40 through 43 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on that information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2014 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 19, 2014

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4

Charenton, Louisiana

Statement of Net Position

September 30, 2013

	<u>Business-type Activities</u>
ASSETS	
Current assets:	
Cash and interest-bearing deposits	\$ 602,839
Receivables:	
Accounts	166,142
Due from other governmental units	34,602
Prepaid expenses	31,055
Restricted assets:	
Cash and interest-bearing deposits	<u>703,564</u>
Total current assets	<u>1,538,202</u>
Noncurrent assets:	
Restricted assets:	
Cash and interest-bearing deposits	164,824
Capital assets:	
Not being depreciated	24,728
Net of accumulated depreciation	<u>10,050,465</u>
Total noncurrent assets	<u>10,240,017</u>
Other assets:	
Deferred bond issue costs, net	<u>18,035</u>
Total assets	<u>\$ 11,796,254</u>

(continued)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Statement of Net Position (continued)
September 30, 2013

LIABILITIES AND NET POSITION	<u>Business-type Activities</u>
Current liabilities:	
Accounts payable	\$ 83,845
Accrued liabilities	34,717
Accrued interest	3,932
Current maturities of bonds payable	236,681
Due to other governmental units	50,961
Payable from restricted assets:	
Current maturities of bonds payable	67,000
Accrued interest	4,832
Refundable deposits	<u>154,429</u>
Total current liabilities	<u>636,397</u>
Noncurrent liabilities:	
Bonds payable	3,776,996
Compensated absences	<u>93,749</u>
Total noncurrent liabilities	<u>3,870,745</u>
Total liabilities	<u>4,507,142</u>
Net position:	
Invested in capital assets, net of related debt	6,341,990
Restricted for debt service	459,699
Unrestricted	<u>487,423</u>
Total net position	<u>7,289,112</u>
Total liabilities and net position	<u>\$ 11,796,254</u>

The accompanying notes are an integral part of this statement.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Statement of Activities
Year Ended September 30, 2013

	<u>Business-type Activities</u>
OPERATING REVENUES	
Water sales	\$ 969,768
Sewer user and inspection fees	405,864
Commissions and fees for services	<u>40,792</u>
Total operating revenues	<u>1,416,424</u>
OPERATING EXPENSES	
Salaries and related benefits	608,203
Supplies and materials	13,163
Operation and maintenance	502,221
Other services and charges	184,037
Plant operation	347,862
Depreciation	<u>828,979</u>
Total operating expenses	<u>2,484,465</u>
Operating loss	<u>(1,068,041)</u>
NONOPERATING REVENUES (EXPENSES)	
Ad valorem taxes, net	999,405
Bond interest and fiscal charges	(131,204)
Bond issue costs	(1,436)
Interest expense	(42,643)
Interest income	7,926
Miscellaneous income	<u>41,764</u>
Total nonoperating revenues (expenses)	<u>873,812</u>
Net loss	<u>(194,229)</u>
NET POSITION, beginning	<u>7,483,341</u>
NET POSITION, ending	<u><u>\$ 7,289,112</u></u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Balance Sheet
September 30, 2013

ASSETS	<u>Operating</u>	<u>Waterworks District No. 6</u>	<u>Sewerage District No. 9</u>	<u>Total</u>
Current assets:				
Cash and interest-bearing deposits	\$ 325,329	\$ 277,510	\$ -	\$ 602,839
Receivables:				
Accounts	166,142	-	-	166,142
Due from other funds	-	133,587	5,403	138,990
Due from other governmental units	34,602	-	-	34,602
Prepaid expenses	31,055	-	-	31,055
Restricted assets:				
Cash and interest-bearing deposits	<u>569,755</u>	<u>59,895</u>	<u>73,914</u>	<u>703,564</u>
Total current assets	<u>1,126,883</u>	<u>470,992</u>	<u>79,317</u>	<u>1,677,192</u>
Noncurrent assets:				
Restricted assets:				
Cash and interest-bearing deposits	93,152	71,672	-	164,824
Capital assets:				
Not being depreciated	17,802	6,926	-	24,728
Net of accumulated depreciation	<u>1,735,933</u>	<u>3,432,594</u>	<u>4,881,938</u>	<u>10,050,465</u>
Total noncurrent assets	<u>1,846,887</u>	<u>3,511,192</u>	<u>4,881,938</u>	<u>10,240,017</u>
Other assets:				
Deferred bond issue costs, net	<u>18,035</u>	<u>-</u>	<u>-</u>	<u>18,035</u>
Total assets	<u>\$ 2,991,805</u>	<u>\$ 3,982,184</u>	<u>\$ 4,961,255</u>	<u>\$ 11,935,244</u>

(continued)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Balance Sheet (continued)
September 30, 2013

	<u>Operating</u>	<u>Waterworks District No. 6</u>	<u>Sewerage District No. 9</u>	<u>Total</u>
LIABILITIES AND NET POSITION				
Current liabilities:				
Accounts payable	\$ 83,845	\$ -	\$ -	\$ 83,845
Accrued liabilities	34,717	-	-	34,717
Accrued interest	-	3,932	-	3,932
Current maturities of bonds payable	-	218,638	18,043	236,681
Due to other funds	138,990	-	-	138,990
Due to other governmental units	50,961	-	-	50,961
Payable from restricted assets:				
Current maturities of bonds payable	67,000	-	-	67,000
Accrued interest	4,832	-	-	4,832
Refundable deposits	56,383	98,046	-	154,429
Total current liabilities	<u>436,728</u>	<u>320,616</u>	<u>18,043</u>	<u>775,387</u>
Noncurrent liabilities:				
Bonds payable	1,172,000	1,684,067	920,929	3,776,996
Compensated absences	28,864	64,885	-	93,749
Total noncurrent liabilities	<u>1,200,864</u>	<u>1,748,952</u>	<u>920,929</u>	<u>3,870,745</u>
Total liabilities	<u>1,637,592</u>	<u>2,069,568</u>	<u>938,972</u>	<u>4,646,132</u>
Net position:				
Invested in capital assets, net of related debt	862,209	1,536,815	3,942,966	6,341,990
Restricted for debt service	254,218	131,567	73,914	459,699
Unrestricted	237,786	244,234	5,403	487,423
Total net position	<u>1,354,213</u>	<u>1,912,616</u>	<u>4,022,283</u>	<u>7,289,112</u>
Total liabilities and net position	<u>\$ 2,991,805</u>	<u>\$ 3,982,184</u>	<u>\$ 4,961,255</u>	<u>\$ 11,935,244</u>

The accompanying notes are an integral part of this statement.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2013

	Operating	Waterworks District No. 6	Sewerage District No. 9	Total
OPERATING REVENUES				
Water sales	\$ 969,768	\$ -	\$ -	\$ 969,768
Sewer user and inspection fees	405,864	-	-	405,864
Commission and fees for services	40,792	-	-	40,792
Total operating revenues	<u>1,416,424</u>	<u>-</u>	<u>-</u>	<u>1,416,424</u>
OPERATING EXPENSES				
Salaries and related benefits	608,203	-	-	608,203
Supplies and materials	13,163	-	-	13,163
Operation and maintenance	502,221	-	-	502,221
Other services and charges	169,844	14,193	-	184,037
Plant operation	347,862	-	-	347,862
Depreciation	116,064	343,155	369,760	828,979
Total operating expenses	<u>1,757,357</u>	<u>357,348</u>	<u>369,760</u>	<u>2,484,465</u>
Operating loss	<u>(340,933)</u>	<u>(357,348)</u>	<u>(369,760)</u>	<u>(1,068,041)</u>
NONOPERATING REVENUES (EXPENSES)				
Ad valorem taxes, net	698,812	300,593	-	999,405
Bond interest and fiscal charges	(51,286)	(79,918)	-	(131,204)
Bond issue costs	(1,436)	-	-	(1,436)
Interest expense	-	-	(42,643)	(42,643)
Interest income	4,109	3,817	-	7,926
Miscellaneous income	41,764	-	-	41,764
Total nonoperating revenues (expenses)	<u>691,963</u>	<u>224,492</u>	<u>(42,643)</u>	<u>873,812</u>
Income (Loss) before operating transfers	351,030	(132,856)	(412,403)	(194,229)
Transfers in	-	56,044	66,473	122,517
Transfers out	<u>(122,517)</u>	<u>-</u>	<u>-</u>	<u>(122,517)</u>
Change in net position	228,513	(76,812)	(345,930)	(194,229)
NET POSITION, beginning	<u>1,125,700</u>	<u>1,989,428</u>	<u>4,368,213</u>	<u>7,483,341</u>
NET POSITION, ending	<u>\$1,354,213</u>	<u>\$1,912,616</u>	<u>\$ 4,022,283</u>	<u>\$7,289,112</u>

The accompanying notes are an integral part of this statement.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Statement of Cash Flows
Year Ended September 30, 2013

	Operating	Waterworks District No. 6	Sewerage District No. 9	Total
OPERATING ACTIVITIES				
Revenue collected	\$1,360,771	\$ -	\$ -	\$ 1,360,771
Payments for goods and services	(1,018,129)	(14,193)	-	(1,032,322)
Payments to employees	(607,333)	-	-	(607,333)
Net cash used by operating activities	<u>(264,691)</u>	<u>(14,193)</u>	<u>-</u>	<u>(278,884)</u>
NONCAPITAL FINANCING ACTIVITIES				
Proceeds from customer deposits	11,061	-	-	11,061
Miscellaneous receipts	41,764	-	-	41,764
Receipts from other funds	-	56,044	66,473	122,517
Payments to other funds	(122,517)	-	-	(122,517)
Taxes received	557,209	-	-	557,209
Net cash provided by noncapital financing activities	<u>487,517</u>	<u>56,044</u>	<u>66,473</u>	<u>610,034</u>
CAPITAL AND RELATED FINANCING ACTIVITIES				
Taxes received	141,603	300,593	-	442,196
Acquisition of capital assets	(95,963)	-	-	(95,963)
Interest and fiscal charges paid	(51,576)	(83,823)	(42,643)	(178,042)
Principal payments on bonds	(66,000)	(215,126)	(17,285)	(298,411)
Net cash used by capital and related financing activities	<u>(71,936)</u>	<u>1,644</u>	<u>(59,928)</u>	<u>(130,220)</u>
INVESTING ACTIVITIES				
Interest received	<u>4,109</u>	<u>3,817</u>	<u>-</u>	<u>7,926</u>
Net increase (decrease) in cash and cash equivalents	154,999	47,312	6,545	208,856
Cash and cash equivalents, beginning	<u>833,237</u>	<u>361,765</u>	<u>67,369</u>	<u>1,262,371</u>
Cash and cash equivalents, end	<u>\$ 988,236</u>	<u>\$ 409,077</u>	<u>\$ 73,914</u>	<u>\$ 1,471,227</u>

(continued)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Statement of Cash Flows (continued)
Year Ended September 30, 2013

	<u>Operating</u>	<u>Waterworks District No. 6</u>	<u>Sewerage District No. 9</u>	<u>Total</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (340,933)	\$ (357,348)	\$ (369,760)	\$ (1,068,041)
Adjustments to reconcile operating income to net cash provided (used) by operating activities-				
Depreciation	116,064	343,155	369,760	828,979
Changes in assets and liabilities:				
Increase in receivables	(55,653)	-	-	(55,653)
Increase in prepaid expenses and other assets	(2,738)	-	-	(2,738)
Decrease in accounts payable	15,193	-	-	15,193
Increase in accrued liabilities	1,574	-	-	1,574
Decrease in due to other governmental entities	1,802	-	-	1,802
Net cash used by operating activities	<u>\$ (264,691)</u>	<u>\$ (14,193)</u>	<u>\$ -</u>	<u>\$ (278,884)</u>

The accompanying notes are an integral part of this statement.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements

INTRODUCTION

The St. Mary Parish Water and Sewer Commission No. 4 (“Commission”) was created under the provisions of Louisiana Revised Statutes 33:7831 by ordinance issued by the St. Mary Parish Council on January 10, 2007. The Commission is authorized to operate, maintain, improve, extend and/or dispose of all works and facilities for water, sewer, and sewerage treatment or disposal facilities and systems within a designated territory of St. Mary Parish. The Commission is governed by seven board members appointed by the St. Mary Parish Council.

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Financial Reporting Entity

As the governing authority of the parish, for reporting purposes, the St. Mary Parish Government is the financial reporting entity for St. Mary Parish. The financial reporting entity consists of (a) the primary government (parish council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, established criteria for determining which component units should be considered part of the St. Mary Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability.

This criteria includes:

1. Appointing a voting majority of an organization’s governing body, and
 - a) The ability of the Parish to impose its will on that organization and/or
 - b) The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Parish.
2. Organizations for which the Parish does not appoint a voting majority but are fiscally dependent on the Parish council.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance to the relationship.

Because the Parish Council appoints the Commission's governing body, the Commission was determined to be a component unit of the Parish of St. Mary, the financial reporting entity. Also, based upon the criteria described above, Waterworks District No. 6 of the Parish of St. Mary and Sewerage District No. 9 of the Parish of St. Mary were determined to be components of the Commission and have been blended in these financial statements. The accompanying financial statements present information only on the funds maintained by the Commission and its blended components and do not present information on the Parish Government, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. Basis of Presentation

The accompanying financial statements of the Commission have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Fund Financial Statements

The accounts of the Commission are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The proprietary fund is maintained consistent with legal and managerial requirements.

The emphasis in fund financial statements is on major funds. Nonmajor funds, if any, are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenses of enterprise funds combined) for the determination of major funds. The Commission may determine as a major fund any fund whose classification as a nonmajor fund may be misleading to the reader. The funds classified as major are as follows:

1. Operating fund
2. Waterworks District No. 6 enterprise fund
3. Sewerage District No. 9 enterprise fund

Proprietary Funds -

Proprietary funds are used to account for ongoing operations and activities that are similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position, and cash flows. The two types of proprietary funds are enterprise and internal service funds. The Commission's funds are enterprise funds.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Enterprise Funds

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

Business-type activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

D. Assets, Liabilities and Equity

Cash and interest-bearing deposits

For purposes of the statement of net position, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposit. For the purpose of the cash flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less when purchased.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading and billing and the end of the month, are recorded at year end.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Prepaid Items

Payments made to vendors for services that will benefit periods beyond year end, are recorded as prepaid items.

Restricted Assets

Certain proceeds of enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the statement of net position. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Commission maintains a threshold level of \$2,500 for capitalizing assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

Water system	20-50 years
Sewer System	50 years
Buildings	40 years
Improvements	20 years
Equipment and vehicles	5-20 years

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations.

Bad Debts

Uncollectible amounts due for customers' utility receivables are recognized as bad debts by direct write-off at the time information becomes available which would indicate the uncollectibility of the particular receivable. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

Uncollectible amounts due for ad valorem taxes are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Compensated Absences

The Commission adopted an annual vacation and sick leave policy for all full time employees. Vacation varies with the length of service and cannot be carried forward. Sick leave is accrued at a rate of one day per month and is allowed to accumulate up to 120 days. Up to 90 days of sick leave may be paid as a termination benefit upon retirement.

Long-term Debt

All long-term debt to be repaid from business-type resources is reported as liabilities. The long-term debt consists primarily of bonds payable.

Bond Issue Costs

Bond issue costs are being amortized by the straight-line method over the life of the related bond issue.

Equity Classifications

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on its use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

E. Revenues and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenses

Expenses are classified by function for business-type activities. Expenses are further classified as operating and nonoperating.

Proprietary funds report expenses relating to use of economic resources.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

F. Budgets and Budgetary Accounting

Enterprise funds are not required under Louisiana Revised Statute 39:1301 et seq. to adopt a budget and the Commission has elected to not formally adopt a budget. Accordingly, budgeted figures are not presented in this financial report.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(2) Cash and Interest-Bearing Deposits

Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Commission may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2013, the Commission has cash and interest-bearing deposits (book balances) totaling \$1,471,227 as follows:

Cash on hand	\$ 200
Demand deposits	842,080
Time deposits	<u>628,947</u>
Total cash	<u>\$ 1,471,227</u>

Under state law, deposits, (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the Commission or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties. At September 30, 2013, deposit balances (bank balances) totaled \$1,474,504 and are secured as follows:

Federal deposit insurance	1,168,711
Pledged securities	<u>305,794</u>
	<u>\$ 1,474,505</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Commission's deposits may not be recovered or the Commission will not be able to recover collateral securities that are in the possession of an outside party. The Commission does not have a policy to monitor or attempt to reduce exposure to custodial credit risk. Since the Commission's total bank balances were fully insured or collateralized, the deposits are not exposed to custodial credit risk.

(3) Restricted Assets

Restricted assets consisted of the following at September 30, 2013:

	<u>Cash</u>
<u>St. Mary Parish Water and Sewer Commission No. 4</u>	
Water improvement bonds	\$ 569,755
Customer security deposits	93,152
	<u>662,907</u>
<u>St. Mary Parish Waterworks District No. 6</u>	
Revenue bond reserve fund	29,947
Capital additions and contingencies fund	29,948
Customer security deposits	71,672
	<u>131,567</u>
<u>St. Mary Parish Sewer District No. 9</u>	
Sinking fund	8,274
Reserve fund	32,818
Contingency fund	32,822
	<u>73,914</u>
Total	<u>\$ 868,388</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

(4) Interfund Receivables/Payables

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Business-type activities:		
Operating fund	\$ -	\$ 138,990
Waterworks District No. 6	133,587	-
Sewerage District No. 9	5,403	-
Total interfund receivables/payables	<u>\$ 138,990</u>	<u>\$ 138,990</u>

These receivables and payables reverse in the normal course of operations. All remaining balances resulted from time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payment between the funds are made.

(5) Ad Valorem Taxes

The following is a summary of authorized and levied ad valorem tax millages:

	<u>Authorized/ Levied Millage</u>
Commission taxes:	
Debt millage	3.50
Operating millage	14.80
District taxes:	
Bond and Interest-	
Waterworks District No. 6 of the Parish of St. Mary	7.54

Levied millages for debt taxes and bond and interest taxes are restricted to payment of principal and interest on general obligation bonds and are reported as nonoperating revenue on the statement of revenues, expenses and changes in net position.

Ad valorem taxes for the operation and maintenance millage are reported as operating revenue on the statement of revenues, expenses and changes in net position.

Total taxes of \$993,724 were levied on property having assessed taxable valuations totaling \$76,908,444.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

(6) Capital Assets

Capital asset activity for the year ended September 30, 2013 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land and improvements	\$ 6,926	\$ -	\$ -	6,926
Construction in progress	17,802	-	-	17,802
Total capital assets not being depreciated	24,728	-	-	24,728
Capital assets being depreciated:				
Water system	10,702,360	3,580	-	10,705,940
Sewer system	7,163,709	35,424	-	7,199,133
Buildings	244,859	-	-	244,859
Improvements	386,568	-	-	386,568
Equipment and vehicles	1,794,605	56,960	-	1,851,565
Total capital assets being depreciated	20,292,101	95,964	-	20,388,065
Less accumulated depreciation for:				
Water system	6,067,166	388,451	-	6,455,617
Sewer system	2,913,838	362,683	-	3,276,521
Buildings	17,151	4,878	-	22,029
Improvements	84,932	18,515	-	103,447
Equipment and vehicles	425,534	54,452	-	479,986
Total accumulated depreciation	9,508,621	828,979	-	10,337,600
Total capital assets being depreciated, net	10,783,480	(733,015)	-	10,050,465
Capital assets, net	<u>\$ 10,808,208</u>	<u>\$ (733,015)</u>	<u>\$ -</u>	<u>\$ 10,075,193</u>

Depreciation expense charged to the Commission's business-type activities for the year ended September 30, 2013 totaled \$828,979.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

(7) Deferred Bond Issue Costs

As described in Note 8, the Commission issued General Obligation Bonds, Series 2008 and Water Improvement Bonds, Series 2007 in a preceding year. Expenses, primarily legal fees, were incurred in connection with the issuance of the bonds. Accounting principles require such costs to be reported as deferred charges on the balance sheet and amortized from the date of sale until the maturity of the obligation.

At September 30, 2013, the Commission has unamortized deferred bond issue costs as follows:

	Water Improvement Bonds, 2007	General Obligation Bonds, 2008
Bond issue costs	\$ 5,600	\$ 21,422
Amortization recognized	(2,613)	(6,374)
	<u>\$ 2,987</u>	<u>\$ 15,048</u>

For the year ended September 30, 2013, amortization recognized for the Water Improvement and GO Bonds was \$373 and \$1,062 respectively.

(8) Changes in Long-Term Debt

The following is a summary of bond transactions of the Commission for the year ended September 30, 2013:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Water improvement bonds, series 2007	\$ 255,000	\$ -	\$ 21,000	\$ 234,000	\$ 22,000
General obligation bonds, series 2008	1,050,000	-	45,000	1,005,000	45,000
Gen. oblig. refund bonds, series 2004	450,000		140,000	310,000	150,000
General obligation bonds, series 2004	860,000	-	55,000	805,000	55,000
\$900,000 Water revenue notes payable	807,830	-	20,125	787,705	13,638
\$1,100,000 Sewer revenue bonds	956,257	-	17,285	938,972	18,043
Compensated absences	92,879	870	-	93,749	-
	<u>\$ 4,471,966</u>	<u>\$ 870</u>	<u>\$ 298,410</u>	<u>\$ 4,174,426</u>	<u>\$ 303,681</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Bonds payable at September 30, 2013 are comprised of the following individual issues:

\$350,000 Water Improvement Bonds, Series 2007, dated 09/05/07; due in annual installments of \$16,000-\$30,000 through August 1, 2022; interest rate of 4.119% per annum, secured by system revenue. \$ 234,000

\$1,200,000 General Obligation Bonds, Series 2008, dated 03/01/08; due in annual installments of \$35,000-\$95,000 through March 1, 2028; interest rate of 3.94% per annum, secured by ad valorem taxation. \$ 1,005,000

\$1,290,000 General Obligation Refunding Bonds, Series 2004, issued March 2004, payable in annual installments of \$5,000 to \$160,000 from 2005 to 2015, semi-annual interest payable at 3.40% per annum. The bonds maturing March 2010 and thereafter are callable in full, or in part after March 2009; secured by ad valorem tax revenues. \$ 310,000

\$1,200,000 General Obligation Bonds, Series 2004, issued March 2004 for construction improvements to the waterworks plant and system, payable in annual installments of \$35,000 to \$95,000 from 2005 to 2024, semi-annual interest payable at 1.00% to 6.00% per annum. The bonds maturing March 2015 and thereafter are callable for redemption in full, or in part, after March 2014; secured by ad valorem tax revenues. \$ 805,000

\$900,000 Water Revenue Notes Payable, issued for constructing improvements to the waterworks plant and system, payable in Monthly installments of \$4,230 from 2003 to 2043, with interest at 4.75% per annum; secured by system revenues \$ 787,705

\$1,100,000 Sewerage Revenue Bonds; due in monthly installments of \$4,994 beginning January 5, 2002; payable over 40 years; interest rate of 4.50% per annum \$ 938,972

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

The bonds are due as follows:

Year Ending September 30,	Water Improvement Bonds		General Obligation Bonds		Revenue Bonds/Notes		TOTAL
	Principal	Interest	Principal	Interest	Principal	Interest	
2014	\$ 22,000	\$ 10,179	\$ 250,000	\$ 83,592	\$ 31,681	\$ 79,007	\$ 476,459
2015	23,000	9,222	265,000	73,670	33,172	77,466	481,530
2016	24,000	8,221	110,000	66,588	34,733	75,954	319,496
2017	25,000	7,178	120,000	61,878	36,368	74,319	324,743
2018	26,000	6,090	125,000	56,809	38,081	72,607	324,587
2019 - 2023	114,000	12,616	730,000	196,173	219,038	334,400	1,606,227
2024 - 2028	-	-	520,000	46,445	275,686	277,754	1,119,885
2029 - 2033	-	-	-	-	346,995	206,445	553,440
2034 - 2038	-	-	-	-	436,766	116,673	553,439
2039 - 2043	-	-	-	-	274,157	18,341	292,498
2044 - 2045	-	-	-	-	-	-	-
	<u>\$ 234,000</u>	<u>\$ 53,506</u>	<u>\$ 2,120,000</u>	<u>\$ 585,155</u>	<u>\$ 1,726,677</u>	<u>\$ 1,332,966</u>	<u>\$ 6,052,304</u>

(9) Interfund Transfers

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

	Transfers In	Transfers Out
Operating Fund	\$ -	\$ 122,517
Waterworks District No. 6	56,044	-
Sewerage District No. 9	66,473	-
Total	<u>\$ 122,517</u>	<u>\$ 122,517</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

(10) Employee Retirement

All full-time employees of the Commission participate in the Parochial Employees' Retirement System of Louisiana (Plan B). This system is a multiple-employer public retirement system (PERS) and is controlled and administered by a separate board of trustees.

Plan members are required to contribute 3.0 percent of their annual covered salary to the system while the Commission is required to contribute the statutory rate of 10 percent of the total annual covered salary. The Commission's contributions to the system for the years ended September 30, 2013, 2012, and 2011, were \$51,587, \$51,816, and \$49,384, respectively.

A publicly available financial report that includes financial statements and required supplemental financial information may be obtained by writing to the Parochial Employees' Retirement System, P. O. Box 14619, Baton Rouge, Louisiana 70898-4619.

(11) Contingencies

The Commission operates a water and sewerage plant, which are regulated by the Department of Environmental Quality and the Environmental Protection Agency. In the opinion of the Board of Commissioners, all applicable regulations have received full compliance, however, due to the complexity of the regulations, differing interpretations of the regulations by DEQ and/or the EPA may result in instances of noncompliance.

(12) Compensation Paid to Board Members

The schedule of compensation paid to the board of commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Louisiana Revised Statute 33:7833 limits compensation paid to board members, with the approval of the board, for per diem and travel allowance to an amount not to exceed \$250 per month.

Thomas Ducote, President	\$ 2,400
Anthony Darden, Vice President	2,700
Willie Scott, Secretary/Treasurer	3,000
Julius Hebert	2,700
Clarence Mathews	2,025
Stephanie Burney	2,700
Camile Punch	2,475
	<u>\$ 18,000</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

(13) Related Party Activity

Parish of St. Mary ("Parish"):

The Commission collects garbage fees and mosquito charges on behalf of the Parish. The Commission gets 4.333% of each month's collections for their services.

(14) Intergovernmental Agreement

On March 1, 1995, the Sewerage District No. 9 of the Parish of St. Mary entered into an agreement with the Sovereign Nation of the Chitimacha (Chitimacha Tribe of Louisiana) for the construction, operation and maintenance of sanitary sewerage collection and treatment facilities. The agreement shall be binding on the District and Tribe for a period of 40 years unless renewed upon mutual consent or terminated by agreement between the parties. The agreement provides for the designation of the components of the proposed sewerage works as joint-service components and non joint-service components. Non joint-service components service either the District or the Tribe, but not both parties. Joint-service components service both the District and the Tribe. The agreement provides that the District and the Tribe will each be responsible for the construction, maintenance and operation of the non joint-service components that service their customers only. The District is responsible for the construction, administration, operation and maintenance of the joint service components. The costs associated with the construction of the sewer treatment facility shall be shared equally by the District and the Tribe up to \$425,000 each. If actual construction costs exceed 10 percent of the projected cost to construct the facility, the parties shall have the right to renegotiate the cost sharing arrangements. The Tribe shall contribute a lump sum amount of \$35,000 as its share of costs related to the construction of other joint service components such as regional pump stations and regional force mains to be constructed under the agreement and that may be constructed in the future over an anticipated 20 year period. For the treatment facility and the other joint service components, ownership shall vest to the District and the Tribe in relation of their cost contribution in proportion to the total costs of the construction.

Subject to the direction of the Management Committee, made up of one representative from the District and one from the Tribe, the District shall be responsible for the proper physical operation and maintenance of all joint service components constructed under the agreement. The District shall determine, establish and institute an equitable system of user charges for the users of the facilities for the payment of the necessary costs of operation and maintenance of the joint service components. The Tribe shall, on a monthly basis, pay to the District their pro-rata share of the costs of operating and maintaining the joint service components. The pro-rata share of the costs shall be determined based on the proportionate burden placed on the facility by the sewer customers of each of the parties as indicated by flow measurements. The District shall pay all costs of operation and maintenance of the facility as they become due and payable and shall submit to the Tribe, monthly, following such payment, an itemized statement showing such costs.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

(15) Subsequent Events

On November 16, 2013, an election was held in which the voters within the geographical boundaries of the Commission authorized the issuance of bonds, in an amount not exceeding \$3,000,000, for the purpose of paying the cost of constructing, equipping and acquiring extensions and improvements to the waterworks plant and system and sewer and sewerage treatment and disposal facilities of the Commission.

(16) New Accounting Pronouncements

During the year ended September 30, 2013, the Commission implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, which provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, as applicable.

In April 2012, the Governmental Accounting Standards Board (GASB) approved Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections- 2012*. Statement No. 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The provisions of GASB Statement Nos. 65 and 66 must be implemented by the Commission for the year ending September 30, 2014. The effect of implementation of these statements on the Commission's financial statements has not yet been determined.

In June 2012, the Governmental Accounting Standards Board (GASB) approved Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through plans covered by GASB Statement No. 67. The provisions of GASB Statement No. 68 must be implemented by the Commission for the year ended June 30, 2015. The effect of implementation of this statement on the Commission's financial statements has not yet been determined.

OTHER SUPPLEMENTARY INFORMATION

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Operating Fund
Balance Sheet
September 30, 2013

With Comparative Totals as of September 30, 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and interest-bearing deposits	\$ 325,329	\$ 214,683
Receivables		
Accounts	166,142	145,091
Due from other governmental units	34,602	-
Prepaid expenses	31,055	28,317
Restricted assets		
Cash and interest-bearing deposits	569,755	535,183
Total current assets	<u>1,126,883</u>	<u>923,274</u>
Noncurrent assets		
Restricted assets		
Cash and interest-bearing deposits	93,152	83,371
Capital assets		
Not being depreciated	17,802	17,802
Net of accumulated depreciation	<u>1,735,933</u>	<u>1,756,034</u>
Total noncurrent assets	<u>1,846,887</u>	<u>1,857,207</u>
Other assets		
Deferred bond issue costs, net	<u>18,035</u>	<u>19,471</u>
Total assets	<u>\$2,991,805</u>	<u>\$2,799,952</u>

(continued)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Operating Fund
Balance Sheet (continued)
September 30, 2013

With Comparative Totals as of September 30, 2012

LIABILITIES AND NET ASSETS	<u>2013</u>	<u>2012</u>
Current liabilities		
Accounts payable	\$ 83,845	\$ 68,652
Due to other funds	138,990	138,990
Due to other governmental units	50,961	49,159
Accrued liabilities	34,717	34,013
Payable from restricted assets		
Current maturities of bonds payable	67,000	66,000
Accrued interest	4,832	5,122
Refundable deposits	56,383	45,322
Total current liabilities	<u>436,728</u>	<u>407,258</u>
Long-term liabilities		
Water improvement bonds payable	212,000	234,000
General obligation bonds payable	960,000	1,005,000
Compensated absences	28,864	27,994
Total long term liabilities	<u>1,200,864</u>	<u>1,266,994</u>
Total liabilities	<u>1,637,592</u>	<u>1,674,252</u>
Net position		
Invested in capital assets, net of related debt	862,209	833,600
Restricted for debt service	254,218	203,346
Unrestricted	237,786	88,754
Total net position	<u>1,354,213</u>	<u>1,125,700</u>
Total liabilities and net position	<u>\$ 2,991,805</u>	<u>\$ 2,799,952</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Operating Fund
Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2013
With Comparative Totals for the Year Ended September 30, 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Water sales	\$ 969,768	\$ 833,518
Sewer user and inspection fees	405,864	372,670
Commissions and fees for services	40,792	37,315
Total operating revenues	<u>1,416,424</u>	<u>1,243,503</u>
OPERATING EXPENSES		
Salaries and related benefits	608,203	617,696
Supplies and materials	13,163	11,157
Operation and maintenance	502,221	542,248
Other services and charges	169,844	168,833
Plant operation	347,862	295,403
Depreciation	116,064	91,925
Total operating expenses	<u>1,757,357</u>	<u>1,727,262</u>
Operating loss	<u>(340,933)</u>	<u>(483,759)</u>
NONOPERATING REVENUES (EXPENSES)		
Ad valorem taxes - debt service	141,603	119,783
Ad valorem taxes - operating	557,209	506,512
Bond interest and fiscal charges	(51,286)	(53,470)
Bond issue costs	(1,436)	(1,435)
Interest income	4,109	4,138
Miscellaneous income	41,764	12,129
Total nonoperating revenue (expense)	<u>691,963</u>	<u>587,657</u>
Income (Loss) before contributions and transfers	<u>351,030</u>	<u>103,898</u>
Transfers out	<u>(122,517)</u>	<u>(123,466)</u>
Change in net position	228,513	(19,568)
NET POSITION, beginning	<u>1,125,700</u>	<u>1,145,268</u>
NET POSITION, ending	<u>\$ 1,354,213</u>	<u>\$ 1,125,700</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Operating Fund
Statement of Cash Flows
Year Ended September 30, 2013
With Comparative Totals for the Year Ended September 30, 2012

	<u>2013</u>	<u>2012</u>
OPERATING ACTIVITIES		
Revenue collected	\$1,360,771	\$1,269,936
Payments for goods and services	(1,018,129)	(1,003,075)
Payments to employees	(607,333)	(614,502)
Net cash used by operating activities	<u>(264,691)</u>	<u>(347,641)</u>
NONCAPITAL FINANCING ACTIVITIES		
Proceeds from customer deposits	11,061	7,276
Miscellaneous receipts	41,764	12,129
Payments to other funds	(122,517)	(123,466)
Receipts from nonoperating taxes	141,603	119,783
Net cash provided by noncapital financing activities	<u>71,911</u>	<u>15,722</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Ad valorem tax receipts	557,209	506,512
Acquisition of capital assets	(95,963)	(47,865)
Interest and fiscal charges paid	(51,576)	(53,642)
Principal payments on bonds	(66,000)	(60,000)
Net cash provided (used) by capital and related financing activities	<u>343,670</u>	<u>345,005</u>
INVESTING ACTIVITIES		
Interest received	4,109	4,138
Net decrease in cash	154,999	17,224
Cash and cash equivalents, beginning	<u>833,237</u>	<u>816,013</u>
Cash and cash equivalents, end	<u>\$ 988,236</u>	<u>\$ 833,237</u>

(continued)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Operating Fund
Statement of Cash Flows (continued)
Year Ended September 30, 2013

With Comparative Totals for the Year Ended September 30, 2012

	<u>2013</u>	<u>2012</u>
Reconciliation of operating income to net cash provided (used)		
by operating activities:		
Operating loss	\$ (340,933)	\$ (483,759)
Adjustment to reconcile operating income to net cash		
provided (used) by operating activities -		
Depreciation	116,064	91,925
Changes in assets and liabilities:		
Decrease (Increase) in receivables	(55,653)	14,571
Decrease (Increase) in prepaid expenses and other assets	(2,738)	8,020
Increase (Decrease) in accounts payable	15,193	6,992
Increase in accrued liabilities	1,574	12,550
Increase (Decrease) in due to other governmental entities	<u>1,802</u>	<u>2,060</u>
Net cash provided (used) by operating activities	<u>\$ (264,691)</u>	<u>\$ (347,641)</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Waterworks District No. 6 Enterprise Fund
Balance Sheet

September 30, 2013

With Comparative Totals as of September 30, 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 277,510	\$ 235,488
Receivables:		
Due from other funds	133,587	133,587
Restricted assets:		
Cash	59,895	54,808
Total current assets	<u>470,992</u>	<u>423,883</u>
Noncurrent assets:		
Restricted assets		
Cash	71,672	71,469
Capital assets:		
Not being depreciated	6,926	6,926
Net of accumulated depreciation	<u>3,432,594</u>	<u>3,775,749</u>
Total noncurrent assets	<u>3,511,192</u>	<u>3,854,144</u>
Total assets	<u>\$ 3,982,184</u>	<u>\$ 4,278,027</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of bonds payable	\$ 218,638	\$ 206,129
Accrued interest	3,932	7,837
Payable from restricted assets:		
Refundable deposits	98,046	98,046
Total current liabilities	<u>320,616</u>	<u>312,012</u>
Noncurrent liabilities:		
Bonds payable	1,684,067	1,911,702
Compensated absences	64,885	64,885
Total noncurrent liabilities	<u>1,748,952</u>	<u>1,976,587</u>
Total liabilities	<u>2,069,568</u>	<u>2,288,599</u>
Net Position:		
Invested in capital assets, net of related debt	1,536,815	1,664,844
Restricted	131,567	126,277
Unrestricted	244,234	198,307
Total net position	<u>1,912,616</u>	<u>1,989,428</u>
Total liabilities and net position	<u>\$ 3,982,184</u>	<u>\$ 4,278,027</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Waterworks District No. 6 Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2013
With Comparative Totals for the Year Ended September 30, 2012

	<u>2013</u>	<u>2012</u>
OPERATING EXPENSES		
Other services and charges	\$ 14,193	\$ 9,382
Depreciation	343,155	345,371
Total operating expenses	<u>357,348</u>	<u>354,753</u>
Operating loss	<u>(357,348)</u>	<u>(354,753)</u>
NON-OPERATING REVENUES (EXPENSES)		
Ad valorem taxes	300,593	265,755
Bond interest and fiscal charges	(79,918)	(98,485)
Interest income	<u>3,817</u>	<u>1,315</u>
Total non-operating revenues (expenses)	<u>224,492</u>	<u>168,585</u>
Loss before operating transfers	(132,856)	(186,168)
Transfers in	<u>56,044</u>	<u>56,543</u>
Change in net position	(76,812)	(129,625)
NET POSITION, beginning	<u>1,989,428</u>	<u>2,119,053</u>
NET POSITION, ending	<u>\$ 1,912,616</u>	<u>\$ 1,989,428</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Waterworks District No. 6 Enterprise Fund
Statement of Cash Flows
Year Ended September 30, 2013
With Comparative Totals for the Year Ended September 30, 2012

	<u>2013</u>	<u>2012</u>
OPERATING ACTIVITIES		
Payments for goods and services	\$ (14,193)	\$ (9,382)
NON-CAPITAL FINANCING ACTIVITIES		
Receipts from other funds	56,044	56,543
Payments to other funds	-	-
Net cash provided by non-capital financing activities	<u>56,044</u>	<u>56,543</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Receipts from taxes	300,593	265,755
Interest and fiscal charges paid	(83,823)	(98,922)
Principle paid on bonds	(215,126)	(201,560)
Net cash used for capital and related financing activities	<u>1,644</u>	<u>(34,727)</u>
INVESTING ACTIVITIES		
Interest received	<u>3,817</u>	<u>1,315</u>
Net increase in cash and cash equivalents	47,312	13,749
Cash and cash equivalents, beginning	<u>361,765</u>	<u>348,016</u>
Cash and cash equivalents, ending	<u>\$ 409,077</u>	<u>\$ 361,765</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (357,348)	\$ (354,753)
Adjustment to reconcile operating loss to net cash provided by operating activities - Depreciation	<u>343,155</u>	<u>345,371</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (14,193)</u>	<u>\$ (9,382)</u>

ST. MARY PARISH WATER AND SEWER DISTRICT NO. 4
Charenton, Louisiana

Sewerage District No. 9 Enterprise Fund
Balance Sheet
September 30, 2013
With Comparative Totals as of September 30, 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets:		
Cash and interest-bearing deposits	\$ -	\$ 300
Due from other funds	5,403	5,403
Restricted assets:		
Cash - contingency, reserve, and sinking funds	73,914	67,069
Total current assets	<u>79,317</u>	<u>72,772</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	4,881,938	5,251,698
Total assets	<u>\$4,961,255</u>	<u>\$5,324,470</u>
LIABILITIES		
Current liabilities:		
Current portion of revenue bonds payable	\$ 18,043	\$ 17,249
Noncurrent liabilities:		
Revenue bonds payable	920,929	939,008
Total liabilities	<u>938,972</u>	<u>956,257</u>
NET POSITION		
Invested in capital assets, net of related debt	3,942,966	4,295,441
Restricted for debt service	73,914	67,069
Unrestricted	5,403	5,703
Total net position	<u>4,022,283</u>	<u>4,368,213</u>
Total liabilities and net position	<u>\$4,961,255</u>	<u>\$5,324,470</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Sewerage District No. 9 Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2013
With Comparative Totals for the Year Ended September 30, 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Miscellaneous	\$ -	\$ -
OPERATING EXPENSES		
Depreciation	<u>369,760</u>	<u>369,760</u>
Operating loss	<u>(369,760)</u>	<u>(369,760)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest expense	<u>(42,643)</u>	<u>(43,435)</u>
Loss before operating transfers	(412,403)	(413,195)
Transfers in	<u>66,473</u>	<u>66,923</u>
Change in net position	(345,930)	(346,272)
NET POSITION, beginning	<u>4,368,213</u>	<u>4,714,485</u>
NET POSITION, ending	<u>\$4,022,283</u>	<u>\$4,368,213</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Sewerage District No. 9 Enterprise Fund
Statement of Cash Flows
Year Ended September 30, 2013
With Comparative Totals for the Year Ended September 30, 2012

	2013	2012
OPERATING ACTIVITIES		
Receipts from customers and users	\$ -	\$ -
NONCAPITAL FINANCING ACTIVITIES		
Receipts from other funds	66,473	66,923
Payments to other funds	-	-
Net cash provided (used) by noncapital financing activities	66,473	66,923
CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on capital debt	(17,285)	(16,493)
Interest paid on capital debt	(42,643)	(43,435)
Net cash used in capital and related financing activities	(59,928)	(59,928)
Net increase in cash	6,545	6,995
Cash and cash equivalents, beginning	67,369	60,374
Cash and cash equivalents, end	\$ 73,914	\$ 67,369
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (369,760)	\$ (369,760)
Adjustment to reconcile operating loss to net cash provided by operating activities -		
Depreciation	369,760	369,760
NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES	\$ -	\$ -

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Number of Customers
September 30, 2013

On January 12, 2007, the St. Mary Parish Council adopted Ordinance No. 1753 creating St. Mary Parish Water and Sewer Commission No. 4 and providing the commission jurisdiction over all works and facilities for water, sewer, and sewerage disposal and treatment facilities now owned or operated by Waterworks District No. 6 of the Parish of St. Mary, Sewerage District No. 9 of the Parish of St. Mary, Sewerage District No. 7 of the Parish of St. Mary and portions of the boundaries of the previously abolished Sewerage District No. 10 of the Parish of St. Mary. Effective July 1, 2007, Water and Sewer Commission No. 4 began operations and effectively terminated the operations of Waterworks District No. 6, Sewerage District No. 9, and Sewerage District No. 7.

Records maintained by the Commission indicate the following number of residential and non-residential water customers were being served during the month of September, 2013 were as follows:

	<u>Water</u>	<u>Sewer</u>
Residential	2,274	1,048
Non-residential	<u>150</u>	<u>15</u>
Total	<u>2,424</u>	<u>1,063</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Insurance in Force
September 30, 2013

On January 12, 2007, the St. Mary Parish Council adopted Ordinance No. 1753 creating St. Mary Parish Water and Sewer Commission No. 4 and providing the commission jurisdiction over all works and facilities for water, sewer, and sewerage disposal and treatment facilities now owned or operated by Waterworks District No. 6 of the Parish of St. Mary, Sewerage District No. 9 of the Parish of St. Mary, Sewerage District No. 7 of the Parish of St. Mary and portions of the boundaries of the previously abolished Sewerage District No. 10 of the Parish of St. Mary. Effective July 1, 2007, Water and Sewer Commission No. 4 began operations and effectively terminated the operations of Waterworks District No. 6, Sewerage District No. 9, and Sewerage District No. 7.

The insurance for the District is now accounted for in Water and Sewer Commission No. 4 and is as follows:

<u>Description of Coverage</u>	<u>Expiration Date</u>	<u>Coverage Amounts</u>
General Liability	2/25/2014	\$ 300,000.00
Surety Bonds-		
Blanket coverage of Board of Directors		60,000
Public Officials and Employees		3,000,000
Employee Theft	3/6/2014	42,000 per occurrence
Real and Personal Property	2/26/2014	Replacement Cost

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Aged Accounts
September 30, 2013

On January 12, 2007, the St. Mary Parish Council adopted Ordinance No. 1753 creating St. Mary Parish Water and Sewer Commission No. 4 and providing the commission jurisdiction over all works and facilities for water, sewer, and sewerage disposal and treatment facilities now owned or operated by Waterworks District No. 6 of the Parish of St. Mary, Sewerage District No. 9 of the Parish of St. Mary, Sewerage District No. 7 of the Parish of St. Mary and portions of the boundaries of the previously abolished Sewerage District No. 10 of the Parish of St. Mary. Effective July 1, 2007, Water and Sewer Commission No. 4 began operations and effectively terminated the operations of Waterworks District No. 6, Sewerage District No. 9, and Sewerage District No. 7.

Billings and collections relative to revenues and receivables are being accounted for in Water and Sewer Commission No. 4. Aged receivables were as follows at September 30, 2013:

Under 30 days	\$ 106,047
31 to 60 days	4,500
61 to 90 days	1,144
91 to 120 days	(419)
Over 120 days	<u>(2,038)</u>
Subtotal	109,234
Accrual for unbilled receivables	<u>56,908</u>
Total receivables	<u>\$ 166,142</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Water and Sewer Rates
September 30, 2013

On January 12, 2007, the St. Mary Parish Council adopted Ordinance No. 1753 creating St. Mary Parish Water and Sewer Commission No. 4 and providing the commission jurisdiction over all works and facilities for water, sewer, and sewerage disposal and treatment facilities now owned or operated by Waterworks District No. 6 of the Parish of St. Mary, Sewerage District No. 9 of the Parish of St. Mary, Sewerage District No. 7 of the Parish of St. Mary and portions of the boundaries of the previously abolished Sewerage District No. 10 of the Parish of St. Mary. Effective July 1, 2007, Water and Sewer Commission No. 4 began operations and effectively terminated the operations of Waterworks District No. 6, Sewerage District No. 9, and Sewerage District No. 7.

Residential and non-residential:

\$13.00 per month for the first 2,000 gallons

\$3.00 per thousand or part thereof over 2,000 gallons

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Commissioners
St. Mary Parish Water and Sewer Commission No. 4
Charenton, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the St. Mary Parish Water and Sewer Commission No. 4, (hereinafter "Commission"), a component unit of the Parish of St. Mary as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated March 19, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control that we consider to be material weaknesses and which are described in the accompanying schedule of audit results and findings as items 2013-1 and 2013-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Commission's Response to Findings

The Commission's responses to the findings identified in our audit are included in the accompanying corrective action plan for current year findings. The Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited under the provisions of Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 19, 2013

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Audit Results and Findings
Year Ended September 30, 2013

Part I. Summary of auditor's results:

An unmodified opinion was issued on the financial statements of the Commission's business-type activities and each major fund (Operating fund, Waterworks District No. 6 enterprise fund, and Sewerage District No. 9 enterprise fund).

Two deficiencies in internal control were disclosed by the audit of the financial statements and both are considered to be material weaknesses.

There were no instances of noncompliance required to be reported under *Government Auditing Standards*.

A management letter was not issued.

Part II. Findings required to be reported in accordance with *Government Auditing Standards*:

A. Internal Control

2013-1 - Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The Commission's internal control over financial reporting includes those policies and procedures that pertain to the Commission's ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2013

2013-2 - Financial Reporting

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities, in the financial statement preparation process.

CRITERIA: The Commission's internal control over financial reporting includes those policies and procedures that pertain to its ability to record, process, summarize, and report financial data consistent with the assertions embodied in the financial statements, including the ability of its management and staff to detect potential misstatements that may exist in the financial statements and related disclosures.

CAUSE: The condition results from a reliance on the external auditor as part of the internal control process.

EFFECT: Financial statements and related notes may reflect a material departure from generally accepted accounting principles.

RECOMMENDATION: The additional costs required to achieve the desired benefit may not be economically feasible.

B. Compliance

No compliance issues are reported.

Part III. Findings and questioned costs for Federal awards reported in accordance with Office of Management and Budget Circular A-133:

The requirements of OMB Circular A-133 do not apply to the Commission.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2013

A. Internal Control-

2012-01 - Segregation of Duties:

CONDITION: Accounting and financial functions are not adequately segregated.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

CURRENT STATUS: See schedule of audit results and findings item 2012-1.

B. Compliance-

There were no findings previously reported under this section.

C. OMB A-133-

This section was not applicable.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Corrective Action Plan for Current Audit Findings
Year Ended September 30, 2013

Response to Finding 2013-1:

Due to the size of the operation and the cost-benefit of additional personnel, it is not feasible to achieve complete segregation of duties.

Response to Finding 2013-2:

The Board of Commissioners has determined that it would be more cost effective to outsource the preparation of the Commission's financial statements to its independent auditors rather than incur the costs to employ someone with the appropriate skill and expertise to prepare the financial statements in accordance with generally accepted accounting principles.